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16 March 1956
OGC HAS REVIEWED.

MEMORANDUM FOR: Deputy Director (Support)

SUBJECT: Taxability of Allowances and Revision of Agreements with Individual Contract Agents

REFERENCE: Memorandum to DD/S from Director of Personnel dated 9 March 1956, Subject: Review and Revision of Contracts with Individual Contract Personnel

1. We note that paragraph 4 of the reference states that, with regard to establishing for tax purposes the value of quarters in kind, "representatives of the Office of General Counsel, Finance Division, SSA/DDS and this office have unanimously agreed on using for both tax withholding and tax liability purposes the amounts established as quarters allowances by the Standardized Regulations (Government Civilians, Foreign Areas), since this appears to be the most equitable as well as the most workable formula." It points out that representatives of this office obtained informal agreement from the Internal Revenue Service that "in lieu of using actual rental cost the requirements of the revenue laws will be met through use of either a fixed experience factor or a predetermined rental or property value." It further states that it "was the consensus of the group mentioned above that the quarters allowances established by the Standardized Regulations would meet these criteria."

2. While the informal concurrence of the Internal Revenue Service has been obtained on the basis indicated, this Office does not concur in the acceptance of the quarters allowances as an equivalent to such criteria until there has been evaluation in comparison with existing conditions. After several discussions on this point, we believe this is the accepted view of the Finance Division and a dollar figure substituting for the given value of the quarters allowance in any particular area should not be acceptable until it has been given specific consideration. While an expressed value in the exact dollar and cent cost of the quarters will not be required by the Internal Revenue Service, a value which is established in a reasonable and consistent fashion in the light of actual experience will be sufficient. However, an examination of experience should be made, in our opinion, before it is determined that the standardized allowances produce an equivalent result.

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Assistant General Counsel

cc: Director of Personnel
Chief, Finance Division

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